

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2162 - SB 2132

February 21, 2020

SUMMARY OF ORIGINAL BILL: Prohibits a health benefit plan that provides coverage for advanced metastatic cancer and associated conditions, from requiring an enrollee fail to successfully respond to a different drug or prove a history of failure of a different drug before providing coverage of a prescription drug approved by the United States Food and Drug Administration. The proposed legislation applies to all health benefit plans entered into, renewed, amended, or delivered on or after July 1, 2020.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$9,364,500/FY20-21 and Subsequent Years

Increase Federal Expenditures - \$4,868,200/FY20-21 and Subsequent Years

Increase Local Expenditures - \$1,086,600/FY20-21 and Subsequent Years*

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$9,364,500/FY20-21 and Subsequent Years

Increase Business Expenditures –
Less than \$9,364,500/FY20-21 and Subsequent Years

SUMMARY OF AMENDMENT (014944): Adds language to the original bill that exempts the TennCare and CoverKids programs.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Step therapy is the process of trying less expensive medications before stepping up to drugs that cost more.

- The proposed legislation prevents step therapy or the requirement to fail to successfully respond to a different drug or prove a history of failure of different drug for medications treating metastatic cancer and associated conditions.
- The amendment exempts the TennCare and CoverKids programs; however, pursuant to Section 1(d) of the original bill, this applies to any managed care organization contracting with the state to provide insurance through the TennCare program.
- Based on information provided by the Division of TennCare, in FY18-19 TennCare spent \$126,956,649 on antineoplastic agents used for cancer patients.
- It is estimated 30 percent of TennCare enrollees are diagnosed with metastatic cancer.
- The total spend on metastatic cancer drug treatment is estimated to be \$38,086,995 (\$126,956,649 x 30.0%)
- Assuming TennCare saves 15 percent utilizing step therapy, the increase in expenditures is estimated to be \$6,721,234 $\{[(\$38,086,995 / (100\% - 15\%)) - \$38,086,995]\}$.
- Medicaid expenditures receive matching funds at a rate of 65.878 percent federal funds to 34.122 percent state funds. Of this amount \$2,293,419 ($\$6,721,234 \times 34.122\%$) will be in state funds and \$4,427,815 ($\$6,721,234 \times 65.878\%$) will be in federal funds.
- Based on information provided by the Division of Benefits Administration, information was provided by both carriers for the State Group Insurance Program.
- The cumulative impact for both carriers will result in a recurring increase in state expenditures estimated to be \$7,071,039, federal expenditures estimated to be \$440,411, and local expenditures estimated to be \$1,086,566.
- The total increase in state expenditures is estimated to be \$9,364,458 ($\$2,293,419 + \$7,071,039$) in FY20-21 and subsequent years.
- The total increase in federal expenditures is estimated to be \$4,868,226 ($\$4,427,815 + \$440,411$) in FY20-21 and subsequent years.
- The Department of Commerce and Insurance can enforce the provisions of the proposed legislation utilizing existing resources; therefore, any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Healthcare providers that provide metastatic drug treatment services will experience an increase in business revenue for providing services estimated to be \$9,364,458.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to be less than \$9,364,458.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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